

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03
PRS-01 PA-01 /085 W
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R 121602Z AUG 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0618
DEPARTMENT TREASURY
INFO AMEMBASSY PARIS
AMEMBASSY BRUSSELS

C O N F I D E N T I A L BONN 13215

C O R R E C T E D C O P Y (PARAS (1) AND (2) OF TABLE I
OMITTED ORIGINAL TRANSMISSION)

USOECD, USEEC

DEPARTMENT PASS FRB AND CEA

E.O. 11652: GDS
TAGS: ECON, EFIN, GW
SUBJECT: EMBASSY 1978 GERMAN GNP PROJECTION

REF: (1) BONN 12896, (2) BONN 12983

1. BASED ON OUR RELATIVELY OPTIMISTIC 1977 GNP PROJEC-
TION SUBMITTED IN REF 1 AND THE ASSUMPTION THAT THE
GERMAN GOVERNMENT WILL BE DECIDING UPON AN ADDITIONAL
STIMULOUS OF TAX REDUCTIONS AND/OR EXPENDITURE INCREASES
TOTALLING APPROXIMATELY DM 10 BILLION WE BELIEVE THAT
1978 GNP MIGHT BE DEVELOPING APPROXIMATELY ALONG THE
FOLLOWING LINES:

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TABLE I
ESTIMATED 1978 GROWTH OF GERMAN GNP
(PERCENTAGE CHANGES OVER 1977, 1970 PRICES)

PRIVATE CONSUMPTION	3.9
PUBLIC CONSUMPTION	4.3
FIXED INVESTMENT IN EQUIPMENT	4.8

CONSTRUCTION	4.0
INVENTORIES (1)	DM 10.3 BILLION
NET FOREIGN BALANCE (2)	DM 30.4 BILLION

GNP	4.1
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4TH QUARTER 1978 OVER	
4TH QUARTER 1977	3.7

(1) THE SWING IN INVENTORY ACCUMULATION FROM 1977 IS
ESTIMATED AT MINUS 0.7 BILLION.

(2) THE SWING IN THE NET FOREIGN BALANCE FROM 1977 IS
ESTIMATED AT PLUS 2.3 BILLION. EXPORT OF GOODS
AND SERVICES ARE PROJECTED TO GROW AT 7.5 PERCENT
AND IMPORTS AT 7.2 PERCENT.

2. IN THE ABOVE PROJECTION WE ASSUME A FAIRLY EVENLY
GRADUAL DEVELOPMENT THROUGHOUT THE YEAR EXCEPT FOR THE
PATTERN WHICH SEEMS TO BE DEVELOPING (POSSIBLY BECAUSE
OF PROBLEMS IN THE BUNDESBANK SEASONAL ADJUSTMENTS) OF
PARTICULARLY STRONG 1ST AND 4TH QUARTERS AND SOMEWHAT
WEAKER 2ND AND 3RD QUARTERS. PARTLY BECAUSE OF THE
LARGE "OVERHANG" FROM THE FOURTH QUARTER OF 1977
(SEE REF 1) THIS RESULTS IN A 5.0 PERCENT (SAAR) GROWTH
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RATE FOR THE FIRST HALF OF 1978 WHICH MODERATES TO 3.2
PERCENT DURING THE SECOND HALF OF THE YEAR. WE ENVISAGE
APPROXIMATELY THE FOLLOWING DEVELOPMENT IN THE TWO
HALVES OF THE YEAR:

TABLE II
ESTIMATED 1978 GROWTH OF GERMAN GNP
(SAAR, PERCENTAGE CHANGE (1) OVER
PREVIOUS HALF YEAR, 1970 PRICES)

	1ST HALF	2ND HALF
PRIVATE CONSUMPTION	4.2	4.0
PUBLIC CONSUMPTION	5.4	0.0
FIXED INVESTMENT IN		
EQUIPMENT	6.0	3.2
CONSTRUCTION	3.8	5.6
INVENTORIES	DM 5.4 BIL.	DM 4.9 BIL.
NET FOREIGN BALANCE	DM 15.0 BIL.	DM 15.4 BIL.
GNP	5.0	3.2

(1) EXCEPT FOR INVENTORIES AND NET FOREIGN BALANCE
WHERE ABSOLUTE AMOUNTS ARE INDICATED, THE SWING
IN INVENTORIES DURING FIRST HALF IS ESTIMATED AT
PLUS 0.8 BILLION. THE SWING IN THE NET FOREIGN
BALANCE DURING FIRST HALF IS ESTIMATED AT 0.0. STOESSEL

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